

# NYANDENI LOCAL MUNICIPALITY



## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2008

# NYANDENI LOCAL MUNICIPALITY

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## GENERAL INFORMATION

### MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor : T. Sokanyile	<i>Chair of the Executive Committee</i>
Councillor : P. Godongwana	<i>Chair of the Public Safety Committee</i>
Councillor : N. R. Fodo	<i>Chair of the Special Programmes Unit in the Mayor's office</i>
Councillor : M. Mtobela	<i>Chair of the Human Resources Committee</i>
Councillor : W. Mbiko	<i>Chair of the Technical and Infrastructure Committee</i>
Councillor : S. Qaqa	<i>Chair of the Local Economic Development Committee</i>
Councillor : N. Ngqongwa	<i>Chair of the Disaster Management Committee</i>
Councillor : F. Mgwedane	<i>Chair of the Finance Committee</i>
Councillor : L. Mziba	<i>Chair of the Social Needs Committee</i>
Councillor : W. Ngaveli	<i>Chair of the Planning Committee</i>

### LEVEL OF THE LOCAL AUTHORITY

*Low capacity Municipality in terms of Annexure A of Circular 18 issued in terms of the MFMA*

### AUDITORS

*Auditor - General*

### BANKERS

*Standard Bank/ First National Bank*

### REGISTERED OFFICE

<i>B. Nomandela Drive</i>	<i>Private Bag X504</i>	<i>Telephone : 047-555 5000</i>
<i>Libode</i>	<i>Libode</i>	<i>Fax: 047-555 0202</i>
<i>5160</i>	<i>5160</i>	

### MUNICIPAL MANAGER

*H.T. Hlazo*

### CHIEF FINANCIAL OFFICER

*M.A. Mandla*

## MEMBERS OF THE NYANDENI LOCAL MUNICIPALITY

### COUNCILLOR/ALDERMAN

MAYOR :	T. Sokanyile
SPEAKER :	M.J. Sidelo
CHIEF WHIP:	A.A. Vava
Party Representative	F. Mgwedane
Party Representative	M. Dambuza
Party Representative	T. Thunzi
Party Representative	N. Matanda
Party Representative	N.R. Fodo
Party Representative	L. Mziba
Party Representative	M. Makongwana
Party Representative	M. Magxala
Party Representative	N. Thiyeka
Party Representative	N. Tshotsho
Party Representative	C.T. Ngcwabe
Party Representative	N. Bango
Party Representative	F. Gaxeni
Party Representative	Z. Mevana
Party Representative	Z. Hibane
Party Representative	S.W. Matola
Party Representative	Z.W. Mamve
Party Representative	M.S. Qaqa
Party Representative	K. Tatani
Party Representative	P. Ndamase
Party Representative	S. Betele
Party Representative	N. Ngqongwa
Party Representative	K. Nolangeni
Ward 1:	W. Ngaveli
Ward 2:	M.Q.H. Lumko
Ward 3:	B.V. Ndamase
Ward 4:	T. Nompetshehi
Ward 5:	P. Madwantsi
Ward 6:	M.R. Mtobela
Ward 7:	P. Godongwana
Ward 8:	S. Mbiyozo
Ward 9:	N.L.Somtsewu
Ward 10:	P. Pete
Ward 11:	P. Matinise
Ward 12:	J. Mabuya
Ward 13:	M. Ngqondwana
Ward 14:	M.L. Mncela
Ward 15:	P.N. Ntshoyi
Ward 16:	N. Maqholo
Ward 17:	N.N. Mbiko
Ward 18:	X.H. Dlani
Ward 19:	M.Z.Nomandela
Ward 20:	L.Mpongo
Ward 21:	N. Mahlangu
Ward 22:	M. Qoyo
Ward 23:	M. Mnkwantini
Ward 24:	N.V. Mbube
Ward 25:	R.N. Dlutu
Ward 26:	N.N. Devete

## MEMBERS OF THE NYANDENI LOCAL MUNICIPALITY

### APPROVAL OF THE FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 25, in terms of Section 126(1) of the Municipal Finance Management Act, Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 14 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

\_\_\_\_\_  
**Acting MUNICIPAL MANAGER**  
A.M Ncube

\_\_\_\_\_  
25 November 2008

**DATE**

\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**  
M.A. Mandla

\_\_\_\_\_  
25 November 2008

**DATE**

## FOREWORD

It is again a great honour and privilege to write this foreword on behalf of the people of Nyandeni Local Municipality.

As a committed peoples' municipality we are proud to report on the utilisation of the scarce financial resources entrusted to the Nyandeni Local Municipality.

Our municipality is faced with challenges relating to service delivery backlogs, including poor infrastructure which has not been adequately maintained. The Integrated Development Plan for the 2008/2009 financial year will minimise some of our challenges and will contribute towards the socio economic objectives of the Municipality. During the current financial year we have progressively dealt with the challenge of under spending and utilised our budget more effectively, despite the lack of own revenue and the decreased allocation of equitable share and grants received from the National Treasury.

A bad debt recovery plan will be developed to address the long outstanding debts due to the municipality during the 2008/2009 financial year. We are also targeting a zero tolerance stance for the non-payment of accounts, which will be prioritised during the year.

As a municipality, we will continue to focus on the day-to-day developmental challenges and are committed to find pragmatic and implementable solutions for all these challenges.

In conclusion, I would like to express my appreciation to the Executive Committee, the Council and the Municipal Manager, and his entire team for their support, commitment and hard work.

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T. Sokanyile  
**Mayor and Chairperson of the  
Executive Committee**

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25 November 2008

**DATE**

## TREASURER'S REPORT

### 1) INTRODUCTION

Appropriate legislation was complied with in order to provide annual financial statements for the year ending 30 June 2008. To the best of my knowledge these financial statements fairly present the financial position of the Council as at the above mentioned date and the results of its operations for the year ended 30 June 2008.

The expenditure incurred during the financial year under review was within the approved budget, although it exceeded the income for the financial year under review, due to the population of the organogram, Nyandeni Local Municipality was still able to finance their capital projects, mainly through reserves accumulated in prior years.

### 2) OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in Appendix F. The overall operating results for the year ended 30 June 2008 are as follows :

<b>INCOME</b>	<b>Actual 2007 R</b>	<b>Actual 2008 R</b>	<b>Variance 2007/2008 %</b>	<b>Budget 2008 R</b>	<b>Variance Actual/ Budget %</b>
Opening Surplus	43 306 237	18 132 203			
Operating Income for the Year	63 876 551	61 161 052	-4.25	75 637 059	(19.14)
	<b>107 182 788</b>	<b>79 293 255</b>		<b>75 637 059</b>	
<b>EXPENDITURE</b>					
Operating Expenditure	86 163 057	69 029 690	(19.88)	75 586 067	(8.67)
Sundry Transfers	2 887 527	(17 321 408)			
Closing Surplus	18 132 203	27 584 974	52.13		
	<b>107 182 788</b>	<b>79 293 255</b>		<b>75 586 067</b>	

The increase in the closing surplus of 72.39% can be mainly attributed to the recovery of input VAT relating to prior financial years and is recognised as income in the retained income account. The decrease in operating expenditure of 19.88% includes an substantial decrease in capital expenditure specifically relating to road construction ((32.87)%.)

#### 2.1) RATE AND GENERAL SERVICES

	<b>Actual 2007 R</b>	<b>Actual 2008 R</b>	<b>Variance 2006/2007 %</b>	<b>Budget 2008 R</b>	<b>Variance Actual/ Budget %</b>
Income	63 876 551	61 161 052	-4.25	75 637 059	(19.14)
Expenditure	86 163 057	69 029 690	(19.88)	75 586 067	(8.67)
<b>(Deficit) / Surplus</b>	<b>(22 286 507)</b>	<b>(7 868 638)</b>		<b>50 992</b>	
<b>Surplus (Deficit) as % of Total Income</b>	<b>(43.20)%</b>	<b>(13.62)%</b>		<b>0.07%</b>	

Although the change in income was insignificant, expenditure for 2008 decreased substantially due to a decline in capital expenditure. However, employee related costs increased by 27% due to the rollover effect of the approved organogram being populated.

## TREASURER'S REPORT

### 3) CAPITAL EXPENDITURE AND FINANCING

<b>CAPITAL EXPENDITURE</b>	<b>Actual 2007/2008</b>		<b>Budget 2007/2008</b>	<b>Actual 2006/2007</b>
Rate and General Services	18 045 143		22 826 597	38 232 282
Subsidised services	362 592		1 000 000	531 577
Trading services	-		-	51 298
	<b>18 407 735</b>		<b>23 826 597</b>	<b>38 815 157</b>
<b>FINANCING OF THE FIXED ASSETS</b>				
Revolving Fund	-		-	-
Contributions from Operating Income	18 407 735		23 826 597	38 815 157
Grants and Subsidies	-		-	-
External Loans	-		-	-
	<b>18 407 735</b>		<b>23 826 597</b>	<b>38 815 157</b>

The reasons for the reduced spending on capital expenditure is related to a decrease on road construction works and purchases of other fixed assets. A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in Appendix C.

### 4) EXTERNAL LOANS, INVESTMENTS AND CASH

No external loans were taken up during the year under review.  
Investments on hand amounted to R36,150,002 at 30 June 2008.

More information regarding investments is disclosed in note 5 to the annual financial statements.

### 5) FUNDS AND RESERVES

Funds and reserves have been accumulated over years and are all represented by investments. Funds were utilised to finance capital projects during the financial year under review. More information regarding funds and reserves is disclosed in Notes 1 to 3 to the annual financial statements and Appendix A.

### 6) POST BALANCE SHEET EVENTS

No events of a significant nature favourable, or unfavourable have come to my attention.

### 7) GENERAL

The municipal manager, Mr H.T. Hlazo was suspended with effect from 28 March 2008. With effect from the same date the Manager Internal Audit, Mr D Sogoni is acting as municipal manager. Disciplinary steps against the previous municipal manager have not yet been finalised as at 31 August 2008.

#### **EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for their support during the past year. A special word of thanks to the staff of the Budget and Treasury Department for their support and loyalty.

**CHIEF FINANCIAL OFFICER**

M.A. Mandla

**DATE :** 31 August 2008



## ACCOUNTING POLICIES

### 1) BASIS OF PRESENTATION

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (2nd edition 1996) and the Published Annual Financial Statements (2nd edition 1996).
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for fixed assets as more fully detailed in note 3. The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis :
  - Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as Traffic Fines and certain Licenses.
  - Expenditure is accrued in the year it is incurred.

### 2) FIXED ASSETS

- 2.1 *Fixed assets are stated :*
  - at historical cost; or
  - at valuation (based on market price at date of acquisition), where assets have been acquired by Grant or Donation while they are in existence and fit for use.

#### 2.2 Depreciation

The balance shown against the heading " Loans Redeemed and Other Capital Receipts" in the notes to the Balance Sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. Through this "provision" assets are written down over their estimated useful life.

In the case of operating income the full cost of the acquired asset becomes a direct charge to the income statement. Loans are repaid within the estimated useful lives of assets acquired through such loans. The cost or value of such asset as financed is immediately credited to the "Loans Redeemed and other Capital Receipts" accounts.

- 2.3 All net proceeds from the sale of fixed assets are credited to the Revolving Fund.
- 2.4 Fixed Assets are financed from different sources, which include external loans, designated or general grant subsidy income, operating income and various accumulated council funds.

### 3) FUNDS AND RESERVES

#### 3.1 Project Funds

Project funds are representative of external funding received and set aside for pre-identified individual projects or a pre-defined general nature of an intervention.

#### 3.2 Reserves

Reserves are conditional grant subsidies granted to the Municipality for pre-specified purposes.

## ACCOUNTING POLICIES

### **4) RETIREMENT BENEFITS**

It is the policy of the council to provide retirement benefits for its personnel. Contributions to retirement benefits are charged against income as incurred.

### **5) ACCUMULATED SURPLUS**

Accumulated surplus reflects the residual of revenue against the sum of operating expenditure, capital expenditure and appropriations.

### **6) INVESTMENTS**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred.

### **7) REVENUE**

Revenue comprises of assessment rates and refuse income receivable for the year, sundry income and grant subsidy income.

Assessment Rates are levied at an approved annual rate on the value of land and buildings. Refuse is levied at an approved monthly flat rate. Sundry income is accounted for on a cash receipt basis.

Government and related grants are recognised as revenue on an accrual basis and in accordance with the funder's annual disbursement plan as they relate to the municipal statutory annual reporting period.

### **8) INVENTORY**

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

### **9) OPERATING LEASE**

Rentals payables under operating lease are charged to expenses

# BALANCE SHEET AS AT 30 JUNE 2008

	Notes	2007/2008 R	2006/2007 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS AND RESERVES</b>		<b>3 314 941</b>	<b>12 452 886</b>
Accumulated Funds	1	507 470	491 801
Reserves	3	2 807 471	11 961 086
<b>(ACCUMULATED DEFICIT)/RETAINED INCOME</b>	<b>18</b>	<b>27 584 974</b>	<b>18 132 203</b>
		<b>30 899 915</b>	<b>30 585 090</b>
<b>TRUST FUNDS</b>	<b>2</b>	<b>298 882</b>	<b>275 045</b>
		<b>31 198 797</b>	<b>30 860 135</b>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>	<b>4</b>	<b>-</b>	<b>-</b>
<b>LONG-TERM DEBTORS</b>	<b>7</b>	<b>148 444</b>	<b>148 444</b>
		<b>148 444</b>	<b>148 444</b>
<b>NET CURRENT ASSETS/LIABILITIES</b>		<b>31 050 353</b>	<b>30 711 691</b>
<b>CURRENT ASSETS</b>		<b>37 346 538</b>	<b>38 515 544</b>
Inventory	8	324 565	-
Debtors	9	871 875	12 606 942
Cash		96	96
Bank	6	-	-
Short-term investments	5	36 150 002	25 908 506
Short-term portion of Long-term Debtors		-	-
<b>CURRENT LIABILITIES</b>		<b>6 296 185</b>	<b>7 803 853</b>
Provisions	10	1 569 979	1 296 139
Creditors	11	4 543 767	6 296 793
Bank Overdraft	6	182 439	210 921
		<b>31 198 797</b>	<b>30 860 135</b>

# INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2008

2006/2007 Actual Income	2006/2007 Actual Expenditure	2006/2007 Actual Surplus/ (Deficit)		2007/2008 Actual Income	2007/2008 Actual Expenditure	2007/2008 Actual Surplus/ (Deficit)	2007/2008 Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
63 876 551	86 163 057	(22 286 507)	<b>RATE AND GENERAL SERVICES</b>	61 161 052	69 029 690	(7 868 638)	50 992
63 833 770 42 781	86 163 057 -	(22 329 288) 42 781	Community Services Economic Services	61 117 200 43 852	69 011 754 17 935	(7 894 555) 25 917	(206 994) 257 986
<b>63 876 551</b>	<b>86 163 057</b>	<b>(22 286 507)</b>	<b>TOTAL</b>	<b>61 161 052</b>	<b>69 029 690</b>	<b>(7 868 638)</b>	<b>50 992</b>
		(2 887 527)	Appropriation for this Year			17 321 408	
		(25 174 034)	Net Surplus/(deficit) for the Year			9 452 770	
		43 306 237	Accumulated Surplus/(Deficit) beginning of the year			18 132 203	
		18 132 203	<b>ACCUMULATED SURPLUS/ (DEFICIT) END OF THE YEAR</b>			27 584 974	

# CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note/	2008	2007
		R	R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>18 749 659</b>	<b>20 410 727</b>
Cash generated by operations	19	18 265 319	2 937 108
Investment income	20	484 340	1 210 604
Decrease in working capital	21	-	16 263 015
		<b>18 749 659</b>	<b>20 410 727</b>
<b>Cash available from operations</b>		<b>18 749 659</b>	<b>20 410 727</b>
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(18 410 997)</b>	<b>(38 815 157)</b>
Investments in Fixed assets		(18 410 997)	(38 815 157)
<b>NET CASH FLOW</b>		<b>338 662</b>	<b>(18 404 430)</b>
<b>CASH EFFECTS OF FINANCE ACTIVITIES</b>		<b>(28 483)</b>	<b>18 404 430</b>
Decrease/(increase) in cash on hand	22	(28 483)	2 595 432
Decrease/(increase) in cash investments	23	-	15 808 998
<b>NET CASH UTILISED</b>		<b>(28 483)</b>	<b>18 404 430</b>

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

## 1) Accumulated Funds

Revolving Fund  
Employers Levy Fund

AMOUNT TO THE BALANCE SHEET

(Refer to appendix A for more detail on Accumulated Funds)

2007/2008

2006/2007

495 093	480 347
12 377	11 455
<b>507 470</b>	<b>491 801</b>

## 2) Trust Funds

Integrated Development Plan  
TRC

AMOUNT TO THE BALANCE SHEET

(Refer to appendix A for more detail on Trust Funds)

232 060	213 789
66 823	61 256
<b>298 882</b>	<b>275 045</b>

## 3) Reserves

Free Basic Service  
Capital Infrastructure

AMOUNT TO THE BALANCE SHEET

(Refer to appendix A for more detail on Reserves)

1 931 765	1 859 917
875 706	10 101 169
<b>2 807 471</b>	<b>11 961 086</b>

## 4) Fixed Assets

Fixed assets at the beginning of the year  
Capital Expenditure during the year  
Less : Assets written off, transferred or disposed of during the year

**Total Fixed Assets**

Less : Loans Redeemed and Other Capital Receipts

**NET FIXED ASSETS**

(Refer to Appendix C for more details)

171 003 411	132 188 255
18 407 735	40 392 584
(4 018 599)	(1 577 427)
<b>185 392 547</b>	<b>171 003 412</b>
<b>(185 392 547)</b>	<b>(171 003 412)</b>
<b>-</b>	<b>-</b>

## 5) Investments

Unlisted

Fixed Deposit

36 150 002	25 908 506
<b>36 150 002</b>	<b>25 908 506</b>

### Short Term Investments

Development 388655305-403 STD  
Nyandeni 388680237-001 STD  
Tiered Rates 388680172-002 STD  
Nyandeni 74074617034 FNB  
32 Day 388655305 STD  
Revolving Fund 388655305-002 STD  
Stanlib 3 54781067  
Stanlib 2 IPOO5728  
Stanlib 1 IPOO5439  
Project Account Sal & Operations 38868017200  
32 Day Interest 72399019737  
Ngqeleni Development Sect 21 62012828961  
Eradication of Bucket System  
Investments (Recovery VAT)

AMOUNT TO THE BALANCE SHEET

232 060	213 789
66 823	61 256
2 857	2 726
11 581 399	11 860 209
673 887	612 239
187 293	172 547
19 388	17 555
875 706	10 101 169
1 931 765	1 859 916
-	579
12 377	11 455
-	474 515
566 447	520 552
20 000 000	-
<b>36 150 002</b>	<b>25 908 506</b>

Management's Valuation of Unlisted investments

36 150 002

25 908 506

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2007/2008	2006/2007
Average Rate of Return on Investments	9%	6%

Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with approved Banking Institutions.

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

2007/2008

2006/2007

## 6) Bank Accounts

Current Account (Primary Bank Accounts)  
First National Bank Standard Bank  
Account no. 62152951614 Account No. 80847978  
Cash book balance (Standard and FNB)

(182 439)	(210 921)
-----------	-----------

Bank statement balance at end of year (FNB)

950 193	-
---------	---

Bank statement balance at end of year (Standard)

1 340 730	2 947 630
-----------	-----------

## 7) Long Term Debtors

Loans to :  
Vehicle Loans

148 444	148 444
<b>148 444</b>	<b>148 444</b>

AMOUNT TO THE BALANCE SHEET

## 8) Inventory

Consumable stores

324 565	-
---------	---

## 9) Debtors

Consumer Debtors:

Rates

Refuse

Other Debtors:

VAT

Housing

Salary control

Less : Provision for bad debts

4 698 824	4 307 445
118 355	80 557
365 242	11 565 977
140 569	-
-	752 962
<b>5 322 990</b>	<b>16 706 942</b>
(4 451 115)	(4 100 000)
<b>871 875</b>	<b>12 606 942</b>

The ageing of debtors is as follows:

Current

30 Days

60 Days

90 Days

+120 Days

73 669	92 061
138 853	62 245
69 293	73 366
74 954	3 990
4 376 161	4 028 497
<b>4 732 930</b>	<b>4 260 158</b>

## 10) Provisions

Leave Gratuity

1 569 979	1 296 139
<b>1 569 979</b>	<b>1 296 139</b>

## 11) Creditors

Trade Creditors

4 543 767	6 296 793
<b>4 543 767</b>	<b>6 296 793</b>

AMOUNT TO THE BALANCE SHEET

## 12) Assessment Rates

Assessment Rates

Valuations as at 30 June 2002
<b>70 826 614</b>

Actual Income 2008	Actual Income 2007
<b>1 016 743</b>	<b>1 101 088</b>

Valuations on land and improvements are performed every four years and the last general valuation came into effect in 2003. The basic rate was 2c



## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

per Rand on Land and Improvements. Rebates are applied according to Councils policy. Rebates amounting to R29 483 were granted during 2007/2008

**2007/2008**

**2006/2007**

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

2007/2008

2006/2007

## 13) Employee Related Costs

Salaries and Wages
Car Allowance
Bonus
Overtime
Housing Subsidy/Allowance
Any other type of benefit or allowance
Contributions to UIF, Medical and Pension Funds

13 241 849	9 412 824
693 649	523 202
859 316	554 387
27 554	24 117
148 313	228 215
364 949	449 526
1 588 262	1 117 983
<b>16 923 892</b>	<b>12 310 254</b>

## Remuneration of the Municipal Manager

Basic Salary
Performance Bonuses
Travelling Allowance
13th Cheque
Provident Fund
Medical Aid (Employer Portion)
Cellphone Allowance
Subsistence Allowance
<b>Total Cost to Employer</b>

354 738	400 471
-	23 309
111 632	107 715
29 561	29 561
55 904	50 652
24 039	14 119
19 667	16 250
4 550	2 340
<b>600 092</b>	<b>644 418</b>

## Remuneration of the Planning and Development Manager

Basic Salary
Performance Bonuses
Travelling Allowance
13th Cheque
Housing Allowance
Provident Fund
Medical Aid (Employer Portion)
Cellphone Allowance
Subsistence Allowance
<b>Total Cost to Employer</b>

299 400	313 687
-	7 879
99 800	64 586
24 950	24 950
24 950	27 068
-	33 703
27 030	21 846
24 950	12 000
4 875	660
<b>505 955</b>	<b>506 378</b>

## Remuneration of the Corporate Services Manager

Basic Salary
Performance Bonuses
13th Cheque
Housing Allowance
Travelling Allowance
Subsistence Allowance
Provident Fund
Medical Aid (Employer Portion)
Cellphone Allowance
<b>Total Cost to Employer</b>

299 400	306 096
-	20 628
24 950	
24 000	24 000
105 825	84 279
4 514	4 518
45 000	39 955
-	-
19 667	15 612
<b>523 356</b>	<b>495 089</b>

## Remuneration of the Technical Services Manager

Basic Salary
Performance Bonuses
Housing Allowance
Travelling Allowance
13th Cheque
Provident Fund
Medical Aid (Employer Portion)
Cellphone Allowance
Subsistence Allowance
<b>Total Cost to Employer</b>

299 400	312 296
-	1 518
29 700	24 297
79 958	68 750
24 950	22 503
30 000	33 720
23 000	16 583
22 000	13 112
1 200	1 200
<b>510 208</b>	<b>493 979</b>

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2007/2008	2006/2007
<b>Remuneration of the Community Services Manager</b>		
Basic Salary	299 400	304 174
Performance Bonuses	-	4 654
Housing Allowance	29 988	29 988
Travelling Allowance	105 825	81 125
13th Cheque	24 950	24 950
Provident Fund	45 000	39 697
Medical Aid (Employer Portion)	18 000	18 000
Cellphone Allowance	19 667	15 612
Subsistence Allowance	9 488	1 020
<b>Total Cost to Employer</b>	<b>552 317</b>	<b>519 220</b>

<b>Remuneration of the Chief Financial Officer</b>		
Basic Salary	299 438	353 752
Performance Bonuses	-	4 000
Housing Allowance	-	24 045
Travelling Allowance	124 766	61 296
13th Cheque	24 953	18 853
Provident Fund	24 953	36 260
Medical Aid (Employer Portion)	24 953	600
Cellphone Allowance	24 953	58 665
Subsistence Allowance	1 200	11 000
<b>Total Cost to Employer</b>	<b>525 216</b>	<b>568 472</b>

<b>Remuneration of the Internal Audit Manager</b>		
Basic Salary	299 437	90 151
Performance Bonuses	-	-
Housing Allowance	-	1 274
Travelling Allowance	124 766	37 563
13th Cheque	-	-
Provident Fund	24 953	6 238
Medical Aid (Employer Portion)	24 953	540
Cellphone Allowance	24 953	7 513
Subsistence Allowance	3 060	7 513
Acting Allowance	13 825	-
<b>Total Cost to Employer</b>	<b>515 947</b>	<b>150 792</b>

## 14) Councillor's Remuneration

Mayor's Allowance	469 858	329 322
Speaker's Allowance	207 905	194 911
Councillor's Allowance	8 153 458	9 020 566
Contributions to Medical and Pension Funds	72 630	63 875
	<b>8 903 851</b>	<b>9 608 674</b>

Councillors Salaries, Allowances and benefits are within the prescribed upper limits.

## 15) Arrear Rates and Services Owed by Councillors

ClIr P Ndamase	475	244
ClIr P. Godongwana	1 836	1 169
ClIr P.N. Mathanda	1 815	-
ClIr M. Sidelo	105	3 157
ClIr S. Qaqa	-	6 763
ClIr M. Qoyo	300	-
ClIr M. Dambuza	1 625	-
ClIr T. Thunzi	1 652	1 284
ClIr A Vava	2 152	1 694
ClIr M Makhongwana	10 691	9 518
ClIr Gaxeni	285	-
	<b>20 936</b>	<b>23 828</b>

Arrear Rates and Services charges owed by Councillors outstanding for more than 90 days.

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

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2007/2008

2006/2007

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2007/2008	2006/2007
<b>16) Auditor's Remuneration</b>		
Audit Fees	1 441 314	447 425
<b>17) Finance Transactions</b>		
Total external interest earned or paid :		
Interest earned	1 474 686	1 235 399
Interest paid	-	-
	<b>1 474 686</b>	<b>1 235 399</b>
<b>18) Appropriations</b>		
Appropriation account :		
Accumulated surplus at the beginning of the year	18 132 203	43 306 237
Operating surplus for the year	(7 868 638)	(22 286 507)
Appropriations for the year	17 321 408	(2 887 527)
Accumulated surplus at end of year	<b>27 584 974</b>	<b>18 132 203</b>
Operating account		
Capital Expenditure	<b>18 410 997</b>	<b>38 815 157</b>
Appropriations for the year:	<b>17 518 985</b>	<b>(2 887 527)</b>
Audit fees de-recognition	-	200 000
Vat Corrections	8 742 247	(6 568 287)
Debt write-off - OR Tambo District Municipality	-	(534 395)
Write-back of creditors	-	1 641 191
KDC debtor	-	(9 188 659)
Debt write-off	-	(15 567)
Leave provision	-	(749 700)
Stale cheques	264 713	44 002
Dishonoured cheques	(558 999)	-
Prior year audit adjustments	-	1 378 039
Write-off vehicle debt	-	(82 975)
Salary control account adjustment	(752 962)	-
Stock on hand brought into account	324 565	-
Other prior year adjustments	(578)	17 804
Contributions from funds	9 500 000	10 971 021
<b>19) Cash generated by operations</b>		
(Deficit)/Surplus for the year	(7 868 638)	(22 286 507)
Adjustments for :		
Previous year's operating transactions	17 321 408	(2 887 527)
Appropriations charged against income :	<b>8 812 548</b>	<b>28 111 142</b>
- Provisions and Reserves	(9 598 449)	(10 704 015)
- Capital Outlay	18 410 997	38 815 157
<b>AMOUNT TO CASH FLOW STATEMENT</b>	<b>18 265 319</b>	<b>2 937 108</b>
<b>20) Investment income :</b>		
- Interest received on external investments( Interest on Funds and Reserves)	484 340	1 210 604
<b>AMOUNT TO CASH FLOW STATEMENT</b>	<b>484 340</b>	<b>1 210 604</b>

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

## 21) (Increase)/Decrease in working capital

(Increase)/Decrease in Debtors  
Increase/(Decrease) in Creditors  
(Increase)/Decrease inventory

AMOUNT TO CASH FLOW STATEMENT

2007/2008

2006/2007

-	11 959 720
-	4 303 295
-	-
-	16 263 015

## 22) Decrease/(Increase) in cash on hand

- Cash Balance: beginning of the year  
- Less: Cash Balance: end of the year

AMOUNT TO CASH FLOW STATEMENT

(210 825)	2 384 607
(182 343)	(210 825)
(28 483)	2 595 432

## 23) Decrease/(increase) in cash investments comprises :

- Investments realised

AMOUNT TO CASH FLOW STATEMENT

-	15 808 998
-	15 808 998

## 24) Contingent Liabilities and Contractual Obligations

Known litigations in progress against the Nyandeni Local Municipality at Balance Sheet date.

1 373 050	-
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## 25) Capital Commitments

Commitments in respect of capital expenditure  
- Approved and contracted for  
- Approved but not yet contracted for  
This expenditure will be financed from:  
- Internal sources

6 207 103	29 921 843
3 108 145	29 921 843
3 098 958	-
6 207 103	29 921 843

## 26) Revolving Fund

### Outstanding Advances to Borrowing Services

Accumulated funds

Less:

Temporary Advances

Debtors

External Investments

(refer to appendix A and B for more detail)

495 093	480 347
495 093	480 347
307 800	307 800
-	-
187 293	172 547
-	-

## 27) Unauthorised expenditure

Unbudgeted expenditure incurred:  
Executive and Council Vote  
Municipal Manager Vote  
Awaiting Council's decision

2 334 160
240 247
2 574 407

## 28) Fruitless and wasteful expenditure

Asset register

-	299 820
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# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

## 29) Irregular expenditure

2007/2008

2006/2007

Mbalisweni Road Construction	1 028 444	3 237 272
Sobs Trading - fumigations and cleaning	71 500	398 303
Afrizone Protection Services and Golden Security	282 000	574 763
Contract not signed for access road construction		
Bucula Access Road	691 190	1 324 376
Mgcibe Access Road	215 381	3 610 829
Misty Mount -Mhmlabeni Access Road	2 455 548	202 950
Canzibe Access Road	-	3 601 678
Nqwera Sikhaweni Access Road	1 342 878	2 494 648
Malungeni Access Road	-	2 238 309
Mamolweni Access Road	903 508	190 693
Consultants appointment without the required competitive bidding process followed:		
Loyiso Consulting	-	281 267
Ilitha Development Consulting	-	415 453
Senza Africa	4 923	127 481
BKS Pty (Ltd)	671 284	97 638
RVS Consulting	46 584	67 859
Unauthorised bonuses and salary increases paid to certain managers	1 708 862	-
Unauthorised bonuses and salary increases paid to certain employees	517 685	-
Permanent appointment of Chief Whip not authorised by MEC and Gazetted	40 168	-
	9 979 955	18 863 520

Condonement of irregular expenditure for current and prior year has not been obtained

## 30) Government Grants and Subsidies

Equitable Share	42 290 072
Municipal Infrastructure Grant (MIG)	16 789 005
Financial Management Grant (FMG)	500 000
Municipal Systems Improvement Grant (MSIG)	734 000
	60 313 077

### 30.1 Equitable Share

Although this is an unconditional grant in terms of the constitution, the municipality uses the grant to subsidise the provision of basic services to the indigent community.

### 30.2 MIG

Balance unspent at beginning of year	-
Current year receipts	16 789 005
Conditions met	13 314 218
Conditions still to be met	3 474 787

This grant was used for the upgrading of access roads to rural areas

### 30.3 FMG

Balance unspent at beginning of year	-
Current year receipts	500 000
Conditions met	500 000
Conditions still to be met	-

This grant was fully expensed in obtaining financial management assistance.

### 30.4 MSIG

Balance unspent at beginning of year	-
Current year receipts	734 000
Conditions met	734 000
Conditions still to be met	-

The grant was fully utilised for enhancement of the IDP process and for the training of ward committees.

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

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2007/2008

2006/2007



# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

2007/2008

2006/2007

## 31) Additional Disclosure in Terms of Municipal Finance Management Act

### 31.1 Contributions to Organised Local Government

Contributions to organised local government as required by section 125(1)(b) of the  
Outstanding contributions

79 784	79 784
-	-

### 31.2 VAT

VAT input receivables and VAT output receivables are shown in Note 9. All VAT returns have been submitted by the due date throughout the year.

### 31.3 PAYE, UIF and SDL

Opening balance  
Current year payroll deductions  
Amount paid - current year  
Balance unpaid

-
3 413 642
(3 413 642)
-

### 31.4 Pension and Medical Aid Deductions

Opening balance  
Current year payroll deductions and Council contribution  
Amount paid - current year  
Balance unpaid

-
2 755 053
(2 755 053)
-

### 31.5 Non compliance with Chapter 11 of the Municipal Finance Management Act

A supply chain management policy has been developed.

## 32) Correction of Error

During the year ended 30 June 2005 expenditure incurred in building of new offices had not been capitalised.

The comparative amounts have been restated as follows:

Capitalisation of asset  
Contribution from income  
Net effect on surplus/(deficit) for the year.

-	17 660 859
-	(17 660 859)
-	-

## 33) Municipal entities

There were no municipal entities under the sole or shared control of the municipality for the financial year.

## 34) In-Kind Donations and Assistance

The Municipality did not receive any donations or assistance.

## 35) Comparison with Budget

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E.

Appendix A

STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance at 2007-06-30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 2008-06-30
<b>ACCUMULATED FUNDS</b>						
Revolving Fund	480 347	-	14 746	-	-	495 093
Employers Leave Fund	11 455	-	922	-	-	12 377
<b>Total</b>	<b>491 801</b>	<b>-</b>	<b>15 669</b>	<b>-</b>	<b>-</b>	<b>507 470</b>
<b>RESERVES</b>						
Free Basic Service	1 859 917	-	101 734	-	(29 886)	1 931 765
Capital Infrastructure	10 101 169	-	343 100	-	(9 568 563)	875 706
<b>Total</b>	<b>11 961 086</b>	<b>-</b>	<b>444 834</b>	<b>-</b>	<b>(9 598 449)</b>	<b>2 807 471</b>
<b>TRUST FUNDS</b>						
Integrated Development Plan	213 789	-	18 271	-	-	232 060
TRC	61 256	-	5 567	-	-	66 823
<b>Total</b>	<b>275 045</b>	<b>-</b>	<b>23 838</b>	<b>-</b>	<b>-</b>	<b>298 882</b>
	<b>12 727 931</b>	<b>-</b>	<b>484 340</b>	<b>-</b>	<b>(9 598 449)</b>	<b>3 613 824</b>

Appendix B

EXTERNAL LOANS AND INTERNAL ADVANCES

<b>EXTERNAL LOANS</b>	<b>Balance 2007-06-30</b>	<b>Received during the Year</b>	<b>Redeemed, written off during the Year</b>	<b>Balance 2008-06-30</b>
Local Authorities Loan Fund	-	-	-	-
PDC	-	-	-	-
	-	-	-	-

<b>INTERNAL ADVANCES TO BORROWING SERVICES</b>	<b>Balance 2007-06-30</b>	<b>Received during the Year</b>	<b>Redeemed, written off during the Year</b>	<b>Balance 2008-06-30</b>
Revolving Fund	-	-	-	-
Capital Development Fund	-	-	-	-
	-	-	-	-

# Appendix C

## ANALYSIS OF FIXED ASSETS

Expended 2007		Budget 2008	Balance at 2007-06-30	Expended during the Year	Written off, transferred, redeemed or disposed of during the Year	Balance at 2008-06-30
R		R	R	R	R	R
<b>38 232 282</b>		<b>22 826 597</b>	<b>167 345 788</b>	<b>18 045 143</b>	<b>993 500</b>	<b>184 397 431</b>
1 509 220	Land and Buildings	500 000	37 778 872	116 701	-	37 895 572
24 441	Plant and Equipment	-	8 521 817	-	-	8 521 817
241 239	Computer equipment	170 000	1 926 691	437 028	-	2 363 720
23 105 071	Road Construction	18 184 597	87 809 514	15 510 580	-	103 320 094
-	Infrastructural Development	-	3 606 116	-	-	3 606 116
514 532	Furniture and Equipment	110 000	2 091 959	41 157	-	2 133 115
-	LED Projects	-	5 228 932	-	-	5 228 932
-	Township Development	450 000	2 674 635	100 971	-	2 775 606
917 782	Taxi Shelter	160 000	917 782	211 280	-	1 129 063
-	Electricity Installations	-	2 963 122	-	-	2 963 122
1 423 320	Motor Vehicles	-	3 329 671	-	-	3 329 671
608 432	Upgrading of Financial man system	-	608 432	-	-	608 432
3 042 907	Farming	752 000	3 042 907	-	-	3 042 907
3 900 555	Housing Plan	-	3 900 555	-	-	3 900 555
10 884	Low Cost Housing	-	10 884	-	-	10 884
34 212	Hawker Stalls	-	34 212	-	-	34 212
997 706	Pre Schools	800 000	997 706	82 150	-	1 079 855
215 689	Arts and Craft Centre	-	215 689	-	-	215 689
71 870	Tools	-	71 870	-	-	71 870
188 337	Waste Management	500 000	188 337	926 846	-	1 115 183
993 500	Sanitation Infrastructure	-	993 500	-	993 500	-
432 586	Servicing of 120 sites	1 200 000	432 586	618 431	-	1 051 017
<b>531 577</b>		<b>1 000 000</b>	<b>632 523</b>	<b>362 592</b>	<b>-</b>	<b>995 116</b>
268 365	Cemeteries	800 000	369 311	32 660	-	401 971
249 163	Pounds	200 000	249 163	329 932	-	579 096
14 049	Abattoir	-	14 049	-	-	14 049
<b>51 298</b>		<b>-</b>	<b>3 025 100</b>	<b>-</b>	<b>3 025 099</b>	<b>(0)</b>
51 298	Water	-	3 025 100	-	3 025 099	(0)
<b>38 815 157</b>		<b>23 826 597</b>	<b>171 003 411</b>	<b>18 407 735</b>	<b>4 018 599</b>	<b>185 392 547</b>
-	Loans Redeemed	-	171 003 412	18 407 735	4 018 599	185 392 547
38 815 157	Contributions from Current Income	-	56 747 951	18 407 735	4 018 599	71 137 086
-	Capital Debtors	-	-	-	-	-
-	Grants and Subsidies	-	114 255 461	-	-	114 255 461
<b>-</b>	<b>NET FIXED ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Adjustment of prior year balance :  
Buildings erected in 2005 not capitalised  
Contribution from income  
Net Fixed Asset effect

R  
17 660 859  
(17 660 859)  
-

(390 000)

-32.87	
7622362.89	15 482 708

# Appendix D

## ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

<i>Actual '2007</i> R		<i>Actual '2008</i> R	<i>Budget '2008</i> R
<b>INCOME</b>			
60 975 927	Grants and Subsidies	58 038 290	59 508 330
58 860 952	- Central Government	56 838 290	58 858 330
2 114 974	- Provincial Government	1 200 000	650 000
2 900 624	Operating Income	3 122 762	16 128 729
1 101 088	- Assessment Rates	1 016 743	1 416 532
1 235 399	- Interest Received	1 474 686	990 000
42 781	- Refuse	43 852	288 486
521 356	- Other Income	587 481	13 433 711
63 876 551	<b>TOTAL INCOME</b>	<b>61 161 052</b>	<b>75 637 059</b>
<b>GROSS EXPENDITURE</b>			
86 163 057	Operational Expenditure	69 029 690	75 586 067
47 347 901	- Salaries, Wages and Allowances	27 975 053	26 498 260
21 918 928	- General Expenses	20 688 421	22 237 760
22 714 274	- Repairs and Maintenance	1 955 219	3 023 450
2 714 698	- Contribution to Fixed Assets	18 410 997	23 826 597
38 815 157			
-	- LESS : Amounts charged out	-	-
<b>86 163 057</b>	<b>NET EXPENDITURE</b>	<b>69 029 690</b>	<b>75 586 067</b>

Appendix E

**DETAILED INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

2006/2007 Actual Income	2006/2007 Actual Expenditure	2006/2007 Actual Surplus/ (Deficit)		2007/2008 Actual Income	2007/2008 Actual Expenditure	2007/2008 Actual Surplus/ (Deficit)	2007/2008 Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
63 876 551	86 163 057	(22 286 507)	<b>RATE AND GENERAL SERVICES</b>	61 161 052	69 029 690	(7 868 638)	50 992
63 833 770	86 163 057	(22 329 288)	<b>Community Services</b>	61 117 200	69 011 754	(7 894 555)	(206 994)
1 101 088	-	1 101 088	Assessment Rates	1 016 743	-	1 016 743	1 416 532
878 366	11 734 514	(10 856 147)	Administration and HR	170 369	8 842 602	(8 672 233)	(1 574 336)
48 124	9 783 615	(9 735 491)	Community	205 465	13 215 539	(13 010 074)	(9 665 470)
6 000	12 593 650	(12 587 650)	Councillor expenses	-	15 322 512	(15 322 512)	766 954
2 596 574	11 620 774	(9 024 199)	Local Economic Development	15 450	2 717 565	(2 702 115)	(363 058)
27 289 678	6 449 293	20 840 385	Finance	3 504 633	5 216 631	(1 711 998)	16 158 907
11 706 604	30 390 415	(18 683 811)	Engineering Roads & Stormwater	13 914 468	21 321 192	(7 406 724)	(8 578 255)
20 207 335	2 998 527	17 208 809	Municipal Manager	42 290 072	1 818 823	40 471 249	2 227 798
-	15 247	(15 247)	Abattoir	-	48 716	(48 716)	(45 919)
-	577 023	(577 023)	Tourism	-	508 175	(508 175)	(550 147)
42 781	-	42 781	<b>Economic Services</b>	43 852	17 935	25 917	257 986
42 781	-	42 781	Refuse	43 852	17 935	25 917	257 986
63 876 551	86 163 057	(22 286 507)	<b>TOTAL</b>	61 161 052	69 029 690	(7 868 638)	50 992
		(2 887 527)	Appropriation for this Year			17 321 408	
		(25 174 034)	Net Surplus/(deficit) for the Year			9 452 770	
		43 306 237	Accumulated Surplus/(Deficit) beginning of the year			18 132 203	
		18 132 203	<b>ACCUMULATED SURPLUS/ (DEFICIT) END OF THE YEAR</b>			27 584 974	